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SIPDIS

STATE FOR WHA/CEN, WHA/EPSC, EB/IFD, AND A/OPR/OS/CS  
STATE PASS OPIC FOR Richard Greenburg, Loren Rodwin

E.O. 12958: N/A

TAGS: [ECON](#) [AMGT](#) [HO](#) [OPIC](#)

SUBJECT: Honduras: Post Supports Microfinance International Corporation OPIC Application

REF: State 221168

1. Summary: Post strongly supports MFIC USD 4 million request in OPIC financing to support its lending program for Microfinancial institutions, and USAID continues to work with all three prospective partner organizations of Finsol, Banhcafe, and ODEF. Post looks forward to learning more of possible synergies between this OPIC project and ongoing USAID micro and rural microfinance projects. End Summary.

2. USAID has worked in the past with each of MFIC's three prospective partner institutions and expects to continue to work with them in the future. Further, USAID Honduras knows the management and lending programs of each of these three institutions and finds them sound.

3. FINSOL and ODEF are regulated microfinancial NGOs, and are leaders in the Honduran microfinance industry. USAID has provided support to both institutions with good results, and has seen an increase in their number of clients and a decrease in their arrears rate. Currently, ODEF has 13,500 borrowers, and a current rate of arrears of 5 percent. Eighty-one percent of loans are destined for commercial activities, two percent for industrial activities, eight percent for services, and nine percent for agricultural activities.

4. FINSOL is also commercially oriented, with a portfolio of ninety percent commercial loans and 10 percent industrial and agricultural loans. They currently have 17,615 borrowers, and an arrears rate of 8 percent. Finsol's President and Executive Director met with Econ/Comm section, and participated in a conference call with Loren Rodwin on November 5 to discuss OPIC financing for microfinance institutions.

5. BANHCAFE is the only Honduran bank with a specialized microenterprise department, and is looking for additional market niches - particularly as they face increasing competition from new foreign banks that have begun operations in Honduras, such as Cuscatlan and Lafise. BANHCAFE began its microenterprise activities after receiving technical assistance from USAID in 1999.

6. There is a good market for microfinance in Honduras, given the levels of unemployment and limited long term financing available for entrepreneurial activity. Competition in this sector is also rising, as several NGOs are launching microfinance programs. The microlending sector is primarily (sixty percent) composed of self-employed women in their mid-thirties. They are often the head of the household, and rely on their microbusiness for income. These small and medium enterprises (SMEs) are a very important segment of the Honduran economy, generating employment for approximately 760,000 people (forty percent of the economically active population). Most are engaged in commercial activities, such as microgroceries (the pulperias), used clothing, and small cafeterias. Others are engaged in small manufacturing activities in areas such as food products, furniture, shoes, sewing shops, and metalworking. About seven percent are engaged in service-related activities, such as electrical repair shops, automotive after-market services, and beauty salons. Most SMEs are located in the urban areas of Francisco Morazn, Corts, Comayagua, and Choluteca.

7. Post looks forward to learning more details about MFIC/OPIC's program with them and evaluating how we can work with them in the future, especially for rural lending to small and micro rural enterprises. Any details on MFIC's specific objectives and lending terms with these three Honduran microfinance lending institutions would be greatly appreciated. Post thanks OPIC for its ongoing information and updates on projects in Honduras, and looks forward to continued cooperation.

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